

IMPACT OF COVID-19 ON MSME SECTOR IN INDIA

Prashant Saxena

Indian MSME's offer biggest employment after agriculture area in India. MSME earlier than the pandemic contributes about approximately 30 percentage percentage in India's GDP. It is taken into consideration the spine of the Indian Economy because it allows to broaden entrepreneurship culture, merchandising of socio-monetary popularity of the kingdom at worldwide level, manufacturing of commercial gadgets and export of numerous gadgets like garments, handicraft products, leather-based gadgets etc. Due to the Covid-19 Pandemic, which prompted substantial lack of existence and assets of the residents around the world Government of India imposed partial and strict lockdown throughout the kingdom. As a end result of this Industrial Production Activities has halted, loss of powerful demand, breakdown withinside the deliver chain distribution and lots of monetary and economic shocks must be confronted via way of means of the Indian MSME's. Most of MSME's particularly micro industries is being pressured to close down because of economic crunch and absence of running capital. The goal of the take a look at is to explain the effect of Covid-19 lockdown on Indian MSME's and to assess numerous guidelines/schemes carried out via way of means of the Government to restore MSME as soon as again. The Study discovered that numerous schemes beneath Atma Nirbhar Bharat Abhiyaan could be useful for time being however extra guidelines are required because the loss due to the pandemic had led India's economic system to worst hit withinside the decade. Coordination from that Centre and State Government is needed with a right mixture of Fiscal, Monetary and Administrative guidelines.

I Introduction

After Agricultural Sector MSMS's is generating the maximum essential employment in India. MSME's are having huge untapped functionality which new entrepreneurs and innovators have been exploring in advance than the Covid-19 Pandemic scenario which modified into in the end strengthening the economic employer ecosystem. Approximately MSME's in India provide employment to about 110 million human beings and there are extra than sixty 3 million MSME. According to the Annual Report of MSME 2020-2021, there have been 630 fifty lakhs MSME's in India and in addition than 99 in line with cent have been

from Micro Sector located with the beneficial aid of the usage of Small (3.31) and Medium Sector (0.05) figures in lakh.

MSME's in India produces about 6000 fashion of products for the consumption of neighbourhood and global Customers. From the past five years, the contribution of MSME withinside the GDP of India is the style of 29-30 in line with cent that may be a big percentage as one-1/three of the GVA (Gross Value Added) from the length of 2014-15 to 2018-19. MSME's are recognized as being significantly considered to be most essential as it reduces the nearby imbalances every geographical location smart and earnings distribution smart. It is to be mentioned that 51% of the MSME's are located in Rural India and 49 % are located in town areas. There is a proper balance withinside the distribution location smart which contributes extra withinside the route of the development of backward location and majorly manufacturing location in India.

Before the Covid-19 Pandemic the Government's venture modified into to make India \$5 trillion financial machine with the beneficial aid of the usage of 2025 which now seems to be difficult due to the truth the partial and whole lockdown in brilliant additives of the State's. The virus modified into first mentioned withinside the Wuhan City in December, 2019. Coronavirus sickness is a contagious sickness due to the acute respiration syndrome. As of in recent times June 2021, this sickness has huge worldwide making it though an ongoing pandemic in almost all additives of the world. In India, the number one mentioned case of Covid-19 modified into on 30th March, 2020. The hassle have come to be immoderate at the same time due to the fact the Indian Prime Minister imposes a country wide Lockdown for 21 days on 24th march 2020 which worsen the scenario of MSME's in India as all location came to a Standstill.

The Immediate lockdown left human beings without a desire but to be pressured to close their industrial agency employer operation, manufacturing and services too withinside the initial section of the lockdown with exception of essential and emergency services. According to the MRD report, 40 million human beings had out of location their jobs majorly withinside the unorganized location. This Pandemic have pulled the MSME location to the worst Conditions as they have been already stricken by Demonetization and horrible implementation of the GST regime. Export in Total drop down with the beneficial aid of the usage of 60% in April 2019. There modified right proper right into a drastic decline withinside the GDP of the FY 2019 declined from 5.1% in Q1 to 3.1% in Q4.

According to IMF, it is expected that the global financial machine want to lower with the beneficial aid of the usage of 4.9 in line with cent and India might be to witness a horrible increase rate with the beneficial

aid of the usage of 4.5 in line with cent. ILO (2020) expected that global unemployment can range from 5.3 million to 24.7 million pushing human beings beneath the poverty line and the worst global catastrophe on the equal time as you preserve in mind that World War II. Government Announces a proper away consolation package deal as PM Garib Kalyan Yojana on twenty 6th March. Specifically, for the MSME's India government has introduced numerous schemes under ATMANIRBHAR BHARAT ABHIYAAN. In this study, the winning purpose is to assess the impact of Lockdown due to covid-19 on Indian MSME's and to apprehend the insurance and measures inquisitive about the beneficial aid of the usage of the Indian Government withinside the route of the lockdown.

II Review of Literature

Mahajan, Y. (2020) The Study highlights the importance of SME's which was undergoing a growth phase consisting dynamic range of business such as machinery, automation technology, metal, food, rubber and plastic items. The main objective of the study was to analyse the impact of coronavirus on SMEs in India and addition to suggesting measures to overcome the ongoing situation of SMEs in India. A Descriptive methodology was followed with the help of secondary data which was collected from various websites, newspapers and magazines in India. The study found that there is a growing concern in Indian SME's due to lockdown in China as well in India.

There is an acute problem and shortage of raw material and ingredients especially in Pharmaceuticals leading to export declines, unemployment, halt in the production process, instability in demand. The study suggested measure such as a constant monitoring system should be developed by the government, Proper Sanitization methods, better supply chain mechanism, finding new vendors, and disaster management plans should be implemented to cope with the coronavirus pandemic. However, the study has not attempted to analyse different ongoing government policies and programs implemented to assist MSME.

Sahoo, P., & Ashwani. (2020) This Research Article aims to assess the impact of Covid-19 on the growth of MSME particularly referencing the manufacturing and the Trade Sector. The Authors have used Secondary data to analyse the ongoing Covid-19 Lockdown effects. The data majorly were from official survey reports of RBI Bulletin, Import-Export Database, Ministry of commerce, Handbook of Statistics on Indian Economy. The authors have considered a unique way of data analyses by considering Four Hypothetical Scenarios. Scenarios A and B were assumed to under a Vertical Shaped (V-shaped) sudden turnaround & Scenario C and D were assumed to be used in case of U-shaped long run recovery. The study finds out to be upper side Indian economy can grow by 0.4 per cent in 2020 and to be on the negative side

it can decline by 3 per cent. The Impact on MSME were computed considering weighted averages losses of MSME in the Manufacturing and Service sector. Due to the Covid-19 lockdown, the impact is huge on the economy of India, and it can lead to the decline of 2.1 per cent as per the hypothetical condition A and could further lead to 5.7 per cent under scenario D. As per the study the most negative impact of lockdown would be on Mining sector followed by the manufacturing sector.

Roy, A et.al (2020) The study found out the only government relief package will not be enough to support entrepreneurs of MSME's in India. The objective of the study find out how the nationwide lockdown affected Indian MSME and to suggest remedial measures for the welfare of MSME during the crises. The methodology used was the positivism approach to research. Data was collected from Secondary Sources and the conclusions were derived with the help of a deductive approach. The sampling technique was based on Purposive sampling from the PRISMA network and 15 journals were selected for this research. According to the study, approximately 50% of the business under MSME's have suffered losses of about 20-25%. Small business was forced to be closed due to ineffective demand and mortality of the workers. The study recommended increasing the time to the repayment of the loans, raising loans from informal agencies, provisions of subsidies and credit guarantee schemes and last but not the least controlling competition from foreign firms.

Punj,D.et.al (2021) This research Article focuses on the policy of ATMA NIRBHAR BHARAT PACKAGE as a measure taken by the Government to support the MSME sector as a Self- Reliant Indian Movement. The study also focuses on the challenges for MSME sector before and after the Coronavirus Pandemic. The paper has been divided into the following Ten parts viz Introduction, Objectives, Methodology, MSME Prior to COVID-19 -19 Pandemic, Major Challenges faced by MSME sector before and after COVID-19 followed by the ATMA NIRBHAR BHARAT Package policy, Limitation and conclusion. Official Secondary data have been used in the study which was from the Annual Report of Ministry of MSME, RBI & Press Information, CIBIL and DGCIS reports, and various new agencies. Prior to the COVID-19 MSME in India contributes to about 30% in the GDP, generating 1109 lakhs job, 40% of the total exports. But a drastic downfall can be seen in the GDP for the F.Y 19 Q1 TO Q4 as 5.6,5.1%,4.7%,3.1%. This may be due to the problem of lockdown which further deteriorated the unemployment problem as 40 million people lost their jobs in the fiscal year 2021-2021. A sovereign loan scheme was implemented to benefit about 45 lac MSME's. The government will act as a guarantor for this loan, and it issued without any fresh collateral. The study suggested that the following schemes should be considered while framing policies such as Ease of Doing Business, Cluster Development, Infrastructural,

technological and human development. The theoretical framework has been stated after the last section followed by a chart suggesting 5 pillars of Self-Reliant India.

III Data Collection

The research is completely on the basis of secondary data which was collected from various published and unpublished sources. The contribution of the MSMEs is studied and hence how the downfall of the sector affects the whole economy. Data source is mainly secondary data collected from public domains like World Health Organisation (WHO) and Ministry of MSMEs and various company reports, journals, articles and magazines. An analysis was conducted on the stock prices of enterprises which come under the MSMEs. Other secondary data was collected from Government and company reports, journals, articles and magazines. Observations were also extracted from existing economic phenomena from economic news obtained from various channels, media and newspapers. The data was analysed based on various parameters like annual return, annualised risk, utility and the deviations of the shares of these enterprises.

IV Data Analysis & Interpretation

In the country 633,88 lakh, non-agricultural non-enterprises MSMEs were engaged in different economic activities based on a survey by a national sample survey office, the Ministry of Statistics and Program Implementation. According to the annual report of the Ministry of MSMEs, 31% of the MSME in the manufacturing sector and 36% in the trading and 33% in the other services.

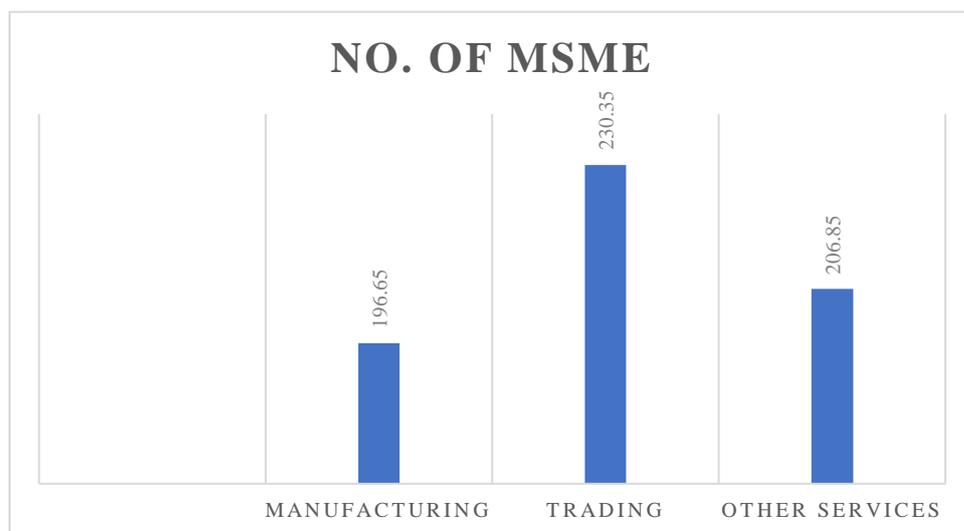


Figure 1 – Number of MSMEs

As per the Ministry report of the MSMEs, there is an estimated number of enterprises of 630.52 lakhs which accounts for almost 99% of the number of enterprises as a whole in this sector. Then comes the small enterprises with a total of 3.31 lakh which accounts to 0.52% of the estimated enterprises and medium sectors with 0.05 lakh contributing to only 0.01% of the total estimated MSMEs. Out of the estimated 633.88 number of MSMEs, 324.88 lakh enterprises, i.e., 51.25% are in the rural areas and 309 lakh enterprises, i.e., 48.75% are in the urban areas.

SECTOR	MICRO	SMALL	MEDIUM	TOTAL	SHARE
Rural	324.09	0.78	0.01	324.88	51%
Urban	396.43	2.53	0.04	309	49%
All	630.52	3.31	0.05	633.88	100%

Table 1 – Distribution of MSMEs

As per a survey conducted by the National Sample Survey (NSS) 73rd round during 2015-16, MSMEs has created 11.10 crores of jobs in both rural and urban areas. There was a total of 360.41 lakhs in the manufacturing sector and there was 362.22 lakhs of employment in the service based enterprises in the sector.

BROAD ACTIVITY CATEGORY	RURAL	URBAN	TOTAL	SHARE (%)
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Service	150.53	211.69	362.22	33
Electricity	0.06	0.02	0.07	
All	497.78	612.1	1109.89	100

Table 2 – Estimated Employment in MSME Sector

Impact of Covid-19 on MSME

According to a study, small businesses in India expect a drastic contraction in commercial enterprise business enterprise because of a lousy growth rate of internet profits. There have been 747 small commercial enterprise business enterprise businesses which expect a discount withinside the growth rate of internet profits thru -66.7% in Q1 of FY 2020-21. The situation worsened in addition on the identical time because the Indian Government delivered a national lockdown amidst the COVID-19 crisis. It changed into stated that commercial enterprise business enterprise agencies with an annual turnover of Rs. 25 crore and below expect a decline withinside the growth rate of internet profits thru -25.3% at some stage in Q1 of FY 2020-21. The lockdown pressured commercial enterprise business enterprise marketers of the MSME vicinity to slender down their businesses to lessen the margin of loss. The reason for shutting down their businesses changed into plunging in powerful call for and absence of labourers. The national lockdown pressured employees to move again to their domestic cities located a long way farfar from their workplaces.

It changed into predicted that 25% of companies comprising the MSME vicinity in India have been at the verge of collapsing if the Indian Government prolonged the tenure of national lockdown for extra than 8 weeks beginning from April 2020. It can also additionally then turn out to be hard to keep on foot their commercial enterprise business enterprise operations at some stage in the pandemic situation and the top notch answer might be to close down their commercial enterprise business enterprise devices permanently.

As attested thru preceding research, the reason why the Indian MSME vicinity didn't live to tell the tale the chance of COVID-19 pandemic changed into that the Indian Government delivered the nation-large lockdown inner a word of short period. The MSME vicinity changed into categorized as maximum susceptible to COVID-19 pandemic due to the fact employees do now not have the ability to address the notable crisis. Furthermore, small commercial enterprise business enterprise businesses that comprised the MSME vicinity in India suffered large losses because of the lockdown due to the fact they needed to run their regular commercial enterprise business enterprise operations with most effective a handful of labourers. They lacked managerial understanding and labored with limited monetary reassets to keep commercial enterprise business enterprise operations. However, the lockdown mounted problems that have been confronted thru commercial enterprise business enterprise marketers of the MSME vicinity in India.

Remedial measures for the welfare of the MSME sector in India

According to a study, remedy measures have been completed with the resource of the use of the RBI. It has tried to pump in greater monetary property into the Indian monetary device for reinforcing production sports activities sports sports activities of agencies underneath the MSME location in India. Additionally, tax reliefs could have been furnished with the resource of the use of the Indian Government to industrial organisation company entrepreneurs of MSMEs in India absolutely so they may earn a higher percentage of return. The tax remedy diploma is probably an notable monetary technique that would guarantee collected profits required for compensating massive losses. As argued with the resource of the use of the researcher in a study, the Indian Government want to help entrepreneurs of MSMEs in India to growth output with the resource of the use of providing facilities of on line e-commerce. Furthermore, they have to be furnished with opportunities to get right of get right of entry to to credit score rating score rating facilities. They have to be able to get get right of get right of entry to to to loans which may be confident with the resource of the use of the Government, absolutely so credit score rating score rating urge for meals is fulfilled. The Government have to help industrial organisation company entrepreneurs of MSME location to enter into alternate agreements with superior global places absolutely so they may import advanced technological tool for maximising production.

The notable remedial diploma is probably to provide cash liquidity to industrial organisation company entrepreneurs of MSMEs walking in rural regions in India. As commented with the resource of the use of the researcher in his study, the problem of liquidity has agitated entrepreneurs of MSMEs in rural regions. The problem has delivered approximately emergence of associated issues together with lack of employment growing opportunities, immoderate debt withinside the market, trying to find required raw materials and control expert human property. They aren't capable of hold the competitive pressure from important multinationals due to acute shortage of liquid cash.

V Conclusion

The study examined the impact of the COVID-19 pandemic-related market disruptions for both MSME owners and workers and tried to understand the government's coverage and access to policy measures. Qualitative interviews were conducted with key stakeholders of the Government, the trade unions, and NGOs.

The lockdown to prevent the coronavirus spread, significantly impacted the MSME enterprises and the workers. Though many units had started their operations, the impact was still evident at the time of the survey in October 2020. 92 per cent of the unit owners said that the lockdown had impacted them. The closure of the enterprises had a cascading effect and impacted their cash flow, supply chains, and availability of labourers. At the time of the survey in October 2020, 65 per cent of the enterprises had started normal operations. However, 14 per cent were still shut down.

The workers primarily, felt the impact of the closure. One of the coping strategies that most enterprises did was to lay off workers either temporarily or permanently. 45 per cent of the enterprises laid off workers either temporarily or permanently. As indicated, in the MSMEs, there was a 25 per cent reduction in the number of labourers employed. 75 per cent of the workers were either full-time or daily wage labourers. However, 85 per cent do not have access to any social security. Even those who consider themselves full-time workers have no access to any security. At the time of the survey, nearly 25 per cent of the respondents were yet to work.

Though the government had initiated various mitigation Schemes, its uptake by both the MSMEs and the workers was low. Only 15 per cent of enterprises had accessed business loans. The access to other support was limited. 60 per cent did not apply or did not receive any support.

In the workers' case, too, except for free ration, the support accessed has not been significant. The transfer of 500 rupees via the Jan Dhan Yojana has been significant. As mentioned by officials, trade unions, and NGO representatives, one of the reasons is the lack of data on workers. This appears to limit their access to government Schemes significantly.

1. Despite various interventions of the government, access is still limited. The agencies, perhaps, need to examine the reasons for this. The revival of the enterprises has an impact on the workers too.
2. Nearly all workers do not have any access to social security. It is anticipated that the code on social security would address some of these challenges.
3. Except for rations under the Pradhan Mantri Gareeb Kalyan Yojana, there has been no significant benefit or support accessed or received by most workers. The officials cited the lack of a database as an issue. Efforts could be made to develop a database.
4. Although the uptake of government support was low at the time of the survey in October 2020, most respondents expressed the need for financial support. This included either low-interest/interest-free loans

or low-interest credit lines, guarantees or tax breaks. 47 per cent of the respondents would like interest-free or low-interest loans to ensure their business's everyday operations. In other words, there is a need, but there are perhaps some structural issues, such as eligibility, as mentioned by an official, that could be the reason for the MSMEs not being able to access the support. This may have to be addressed.

References

Garg, B., & Sahoo, P. (2020). *Corona crash: Need global efforts to tackle global crisis* (Policy Brief, No. 12).

Institute of Economic Growth.

Gupta, M., & Minai, M. H. (2019). An empirical analysis of forecast performance of the GDP growth in India.

Global Business Review, 20(2), 368–386.

International Labour Organization (ILO). (2020, March 18). *COVID-19 and the world of work: Impact and policy responses*. International Labour Organization.

International Monetary Fund (IMF). (2020, April 2020). *World economic outlook: The great lockdown*. International

Monetary Fund. <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>

McKibbin, W., & Fernando, R. (2020, March 2). *The global macroeconomic impacts of COVID-19: Seven scenarios*.

Brookings. <https://www.brookings.edu/research/the-global-macroeconomic-impacts-of-covid-19-seven-scenarios/> Mishra, B. R. (2019). Role of external and domestic demand in economic growth: A study of BRICS countries.

Global Business Review, 21(2), 547–566.

National Bureau of Statistics of China. (2020, March 16). *National economy withstood the impact of COVID-19 in the first two months*. http://www.stats.gov.cn/english/PressRelease/202003/t20200316_1732244.html

Ozili, P., & Arun, T. G. (2020). *Spillover of COVID-19: Impact on the global economy*. *SSRN Electronic Journal*.

<https://doi.org/10.2139/ssrn.3562570>

Sahoo, P. (2020). *The policy response to minimize the fallout of COVID-19 on trade and MSMEs*. In the volume “COVID-19: Challenges for Indian Economy.” Prepared by EEPC, ASEAN-India Center. https://www.eepcindia.org/eepc-download/617-Covid19_Report.pdf

WTO. (2020, April 8). *Trade set to plunge as COVID-19 Pandemic upends global economy*. https://www.wto.org/english/news_e/pres20_e/pr855_e.htm